



PUBLIC MEETING

Utah Committee of Consumer Services

Utah Department of Commerce
July 10, 2008



Welcome & Business



Public Comment



Case Updates

Michele Beck



Case Updates

Milestones

- Working 4 Utah
- Questar Rate Case Order
 - ROE: 10.0%
 - Revenue Requirement: \$11.97 M
- Direct Communications, Cedar Valley LLC
 - Stipulation between DPU and Company
 - CCS submitted policy statement in support



Case Updates

In Progress

- Transponder Investigation
 - Deadline for DPU report extended to July 18th
 - Responses due August 19th
- RMP Transmission CCN
 - Low statutory threshold to establish “need”
 - CCS plans to submit policy statement only
- Questar IRP
 - CCS submitted brief comments on 2008 IRP
 - Final order on new guidelines pending
- RMP Resource Acquisition (Chehalis)
 - Filed position statement
 - Rebuttal due Friday, hearings next week



Case Updates

Preparations

- Preparation underway in anticipation of next RMP rate case
 - Propose to extend contracts for:
Larkin (revenue requirement),
Diversified (ROE), and
Hayat (net power costs)
 - Will evaluate Resource Insights (cost of service/rate design) after more work product delivered



Case Updates

Preparations

- Staff has evaluated results of forecasting RFP
 - 3 responses, costs vary greatly (\$37K - \$126K +)
 - Preferred response is also least cost
 - Staff will utilize the experts to review RMP's new forecasting methodology (used in both IRP and rate case contexts) and potentially testify in forthcoming cases
- Preparation started for next Questar rate case
 - Current consultants under contract from RFP stemming from CET case
 - Propose to issue new RFP for each major category to check the market



Constituent Concerns: 801/385 Overlay

Ken Smith



Update: 801/385 Overlay

Michele Beck



Update: 801/385 Overlay

Status of Transition Plans

- Customer communication underway
- Permissive 10-digit dialing started June 1st
 - Mandatory 10-digit dialing scheduled to begin March 1, 2009
- Increase in consumer reaction



Update: 801/385 Overlay

Process Issues

- Overlay process initiated by July 12, 2007
PSC Order
 - Does not contain a notice of the right to apply for reconsideration or judicial review
- Technical limitations may dictate options
 - 801 numbers run out in March 2009 (or 2Q)
 - NANPA recommends 2 year area code prep
 - Split takes longer than overlay – both in terms of communication and technical requirements
 - Split may be technically infeasible at this time



Update: 801/385 Overlay

Lessons Learned

- The second phase (since March 2007) of this process could have been improved
 - No public hearing held in conjunction with reversing the split order and moving to an overlay
 - Certain interested populations did not hear of the proposed change with adequate time to comment
 - No level of public communication will ever be seen as sufficient
- CCS involvement important
 - As a latecomer to the process, we didn't contribute as much as we could have
- Additional staff research has shown:
 - No method has clear benefits
 - Our initial analysis captured most of the pros and cons
 - Consumers and systems adjust
 - Different regions have taken different approaches



Questar Gas Company Rate Case

Eric Orton



QGC Rate Case

Cost of Service and Rate Design Testimony

- Testimony due July 28th
- CCS witnesses:
 - Expert witness: David Dismukes
 - Policy witness: Eric Orton
- Scope
 - Cost of Service: How much does it really cost to serve each class of customers?
 - Rate Design: How do you collect the revenue from each rate class



QGC Rate Case

Cost of Service Issues

- The cost of service study does not include all customer classes
 - NGV, FT-1, GSS, MT not included
- Cost of service study based solely on proposed new classes
 - Cannot compare the proposed rates to current rates since it presumes the adoption of new rate classes.



QGC Rate Case

Cost of Service Issues, cont.

- Class cost of service study allocates cost based on some inappropriate allocation factors
 - For example: Mains, Distribution, Feeders, CIAC, Income Taxes
 - Results in more costs being assigned to small consumers
 - CCS expert will propose alternative allocation factors that are more fair and appropriate



QGC Rate Case

Rate Design Issues

- Basic Service Fee
 - QGC proposed increase from \$5 to \$8
 - Contrary to goals of conservation
 - Unnecessary because of CET
- General Service Bifurcation
 - QGC proposed that the GS class divided into GS-R (residential) and GS-C (commercial), based on tax classification
 - Tax classification may be an arbitrary and inappropriate basis for separation
 - Usage patterns of the proposed two new classes are indistinguishable



QGC Rate Case

Rate Design Issues, cont.

- GS-C Declining Block Structure
 - Contrary to goals of conservation
 - Provides different incentives to different customer classes
- Winter/Summer Differential
 - QCG proposes to increase the spread between winter and summer
 - We are evaluating whether the proposal is justified.
- Extension Charge for New Customers
 - QGC proposal is status quo
 - Staff concern is that it still recovers much less than the costs associated with the service, which results in intergenerational subsidies.



Rocky Mountain Power Rate Case

Dan Gimble



RMP Rate Case—COS, Rate Spread and Rate Design

Background

- Last Meeting—staff presented a detailed overview of cost-of-service, rate spread and rate design issues
- Overview included RMP's rate spread and residential rate design proposals and CCS Staff's initial response
- Today we'll discuss the primary issues to be addressed within testimony
- Specific strategic issues will be addressed in the closed session



RMP Rate Case—COS, Rate Spread and Rate Design

Overview of Issues

- Flawed cost of service study
- Appropriate rate spread
- Customer charge
- New customer load charge (CLC)
- Potential changes to energy block structure



RMP Rate Case—COS, Rate Spread and Rate Design

Schedule 25 (Mobile Home Parks)

- Frozen schedule for at least 10 years
- Few customers, 11 trailer parks; total revenues @ .75 M
- Master-Meter arrangement between park owner/trailers
- RMP rate spread proposal: same percentage increase for Sch. 25 as for Sch. 1
- RMP rate design proposal: double the Sch. 25 customer charge from \$10 to \$20/month.
 - No analysis supporting the proposed increase.

RMP Rate Case

RMP's Proposed Sch. 500

- Purpose:
 - Price new Utah industrial loads (est. @ 264 MW by 2012) closer to marginal costs versus embedded costs
 - Address the cyclical nature of high tech and extraction industry loads (stranded investment problem)
- Two main elements:
 - Adds a 25% surcharge in 2008 to all new industrial loads 10 MW or higher, with the surcharge increasing to 30% Aug. 2009
 - Open a docket to investigate alternatives to embedded cost pricing and possible extension of the concept to other classes



Closed Meeting

Pursuant to Utah Code Section 52-4-205 (1)(c)



WCI & Utah Goals

Glade Sowards
Utah Department of Environmental Quality



Other Business/Adjourn
